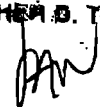


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SEP 09 2004

IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF GEORGIALUTHER D. THOMAS, Clerk
By:  Deputy Clerk

UNITED STATES OF AMERICA)

Plaintiff,)

v.)

JONATHAN D. LUMAN)

Defendant.)

Civil No.

1:04-CV-2624

COMPLAINT AND REQUEST FOR INJUNCTIVE RELIEF

Plaintiff, the United States of America, for its complaint against defendant Jonathan D. Luman states as follows:

1. The United States brings this complaint to enjoin defendant, and any persons in active concert or participation with him, directly or indirectly, from engaging in activity subject to penalty under Internal Revenue Code (26 U.S.C.) ("IRC") §§ 6700 and 6701, and from engaging in any other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

2. Jurisdiction is conferred upon this Court by sections 1340 and 1345 of title 28, United States Code, and IRC §§ 7402(a) and 7408.

Authorization

3. This action has been requested by the Chief Counsel of the Internal Revenue, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General under 26 U.S.C. §§ 7402 and 7408.

Defendant

4. Jonathan Luman resides at 864 Cambridge Parkway, Lovejoy, Georgia, 30228, and has a mailing address at 3588 Highway 138, Suite #272, Stockbridge, GA 30281-3887, both within the jurisdiction of this Court.

Defendant's Activities

5. Defendant has organized and is selling a program that he falsely claims eliminates his customers' liability for federal income taxes.

6. Defendant promotes his program through a manual entitled *Tax Buster Guide* and two websites, www.futuregate.com/taxbuster/guide_5.html and www.taxbusterguide.com.

7. Defendant has sold at least 85 *TaxBuster Guides* from his websites over the 20- month period from February, 2002 to October 2003, to customers from 41 different states.

8. Defendant sells the *TaxBuster Guide* for between \$49.95 for blank forms to \$299.00 for completed forms ready to mail.

9. The *Guide* provides various forms and documents that customers are encouraged to submit to the Internal Revenue Service in lieu of filing federal income tax returns and paying federal income taxes.

10. Defendant falsely promises that the forms contained in the Guide "break the paper chains" of the IRS and eliminate any liability to pay federal income taxes.

11. Defendant, through the Guide and his website, advises customers to:

- cease filing federal income tax returns (IRS Forms 1040) and paying federal income taxes;
- instruct their employers that they are exempt from all federal taxes and that employers should therefore stop withholding taxes from their earnings. If the employer refuses, defendant instructs his customers to threaten their employers with a lawsuit.

Defendant's False Statements

12. Defendant's Guide contains numerous false, misleading, and incomplete statements concerning federal income taxes and the tax consequences of following his advice, including the following:

- "Anyone born in the United States is a 'sovereign citizen' who has no obligation to obey federal laws, particularly the federal tax laws."
- The Sixteenth Amendment to the United States Constitution was not properly ratified and therefore the Internal Revenue Code is unconstitutional.
- The Internal Revenue Code was never enacted into positive law and applies only to persons who voluntarily choose to become 'federal citizens'
- Obtaining and using a social security number means that "[i]ndividuals unwittingly become 'federal citizens.'"
- "Because individuals voluntarily apply for social security numbers, they can unvolunteer by renouncing

the social security system and simply refusing to pay taxes."

- The withholding tax was instituted as a "temporary victory tax" during World War II and was secretly repealed after the war had ended, but the government never informed anyone of the repeal and continues unlawfully to collect withholding taxes.

13. Defendant's Guide also includes a chapter entitled "Document Your Income Tax Freedom," in which defendant advises his customers what documents they can send to the IRS to reclaim "sovereign citizen" status. Defendant offers to sell customers, for an additional \$9.95 and postage, a "jurisdiction/authority letter" that will purportedly enable them to accomplish that end.

Luman's Knowledge of the Falsity of his Statements

14. Defendant is or should be aware of the falsity of his claims that the Sixteenth Amendment was not effective and that paying taxes in accordance with the Internal Revenue Code is voluntary. In support of his theory, defendant quotes a decision by the United States Supreme Court, Spreckles Sugar Refining Co. v. McClain, 192 U.S. 397, 416 (1904), that he says declared federal income taxes to be illegal. Defendant fails to state that this case was decided nine years before the Sixteenth Amendment was ratified.

15. The IRS has repeatedly warned the public that filing federal income tax returns and paying income taxes are required by law and that arguments that paying taxes is voluntary and that the Sixteenth Amendment is invalid have been repeatedly rejected

by the federal courts. Specific warnings about these arguments are posted on the IRS's website.

<http://www.irs.gov/newsroom/article/0,,id=120803,00.html>

Harm to the Public

16. Luman's customers have been harmed by his promoting his legally frivolous theories, because his customers have paid him significant sums for worthless advice that results in his customers understating their income tax liabilities.

17. The United States is harmed by Luman's promotional activities because persons who follow Luman's advice are not paying their fair share of taxes to the United States Treasury.

18. The United States is also harmed because the IRS is forced to devote some of its limited resources to identifying and recovering this lost revenue from Luman's customers, thereby reducing the level of service that the IRS can give to honest taxpayers. Moreover, given the IRS's limited resources, identifying and recovering all revenues lost from Luman's scheme may be impossible.

19. In addition to the harm caused by his advice and services, Luman's activities undermine public confidence in the fairness of the federal tax system and incite non-compliance with the internal revenue laws.

20. If defendant is not enjoined, his future customers are likely to incur civil or possibly even criminal sanctions. In

addition, IRS employees will have to devote additional hours attempting to identify Luman's customers and determine and collect their correct tax liabilities.

Count I

Injunction under IRC § 7408 for Violation of IRC §§ 6700 and 6701

21. The United States incorporates by reference the allegations in paragraphs 1 to 20.

22. IRC § 7408 authorizes a court to enjoin persons who have engaged in any conduct subject to penalty under IRC § 6700 or § 6701 if the court finds that injunctive relief is appropriate to prevent the recurrence of that conduct.

23. IRC § 6700 penalizes any person who organizes or sells a plan or arrangement and makes, in connection with organizing or selling the plan or arrangement, a statement regarding the excludibility of income that the person knows or has reason to know is false or fraudulent as to any material matter.

24. Defendant organizes and sells the *Tax Buster Guide* and related documents, which constitute a plan or arrangement in connection with which defendant makes false or fraudulent statements regarding the excludibility of income. Defendant knows or has reason to know that these statements are false or fraudulent within the meaning of IRC § 6700.

25. If not enjoined, defendant is likely to continue to organize and sell his abusive tax scheme.

Count II
Injunction under IRC § 7402 for Unlawful Interference
with Enforcement of the Internal Revenue Laws

26. The United States incorporates by reference the allegations in paragraphs 1 to 25.

27. IRC § 7402 authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

29. Luman, through the actions described above, has engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws. If Luman is not enjoined, he likely will continue to engage in such conduct, thereby undermining the federal tax system.

30. Injunctive relief under IRC § 7402(a) to halt Luman's substantial interference with the administration and enforcement of the internal revenue laws, is necessary and appropriate.

WHEREFORE, plaintiff, the United States of America, respectfully prays for the following:

A. That the Court find that Luman has engaged in conduct subject to penalty under IRC § 6700; and that injunctive relief under IRC § 7408 is appropriate to prevent a recurrence of that conduct;

B. That the Court find that Luman has engaged in conduct interfering with the enforcement of the internal revenue laws, and that injunctive relief is necessary and appropriate to

prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

C. That this Court, pursuant to IRC §§ 7402(a) and 7408, enter a permanent injunction prohibiting Luman and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from, directly or indirectly, by means of false, deceptive, or misleading commercial speech:

- a. Organizing, promoting, marketing, or selling the *TaxBuster Guide*, or any other similar plan or arrangement that incites taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- b. Engaging in any conduct subject to penalty under IRC § 6700, i.e., making or furnishing, in connection with the organization or sale of an abusive tax shelter, plan, or arrangement, a statement he knows or has reason to know is false or fraudulent as to any material matter; and
- c. Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws;

D. That this Court, under 26 U.S.C. § 7402(a), enter an injunction requiring Luman to send to all persons to whom he sold, gave, or otherwise distributed the *TaxBuster Guide* or any related materials, a letter enclosing a copy of this Court's permanent injunction and informing such persons that Luman's representations about the constitutionality of the federal income tax system are false and that civil tax penalties may be imposed against persons acting in accordance with such false and erroneous theories, and requiring Luman to file with the Court within 30 days of the date the permanent injunction is entered, a sworn certification that he has done so;

E. That this Court, under 26 U.S.C. § 7402(a), enter an injunction requiring Luman to turn over to the United States any records in his possession or to which he has access, that identify the names, street and e-mail addresses, telephone numbers, and social security numbers of (1) the persons to whom he gave or sold, directly or indirectly, any materials related to the abusive scheme described above, (2) the persons who assisted in the marketing or preparation of materials used by Luman or written materials sent to potential clients, and (3) any individuals or entities who purchased or used any other tax plan or arrangement in which Luman has been involved, and requiring Luman to file with the Court, within 30 days of the date the

permanent injunction is entered, a sworn certification that he has done so;

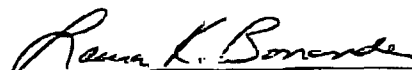
F. That this Court, pursuant to IRC § 7402(a), order Luman to place a copy of the permanent injunction, in its entirety, on the "home" pages of his websites www.futuregate.com/taxbuster/guide_5.html and www.taxbusterguide.com (i.e., the first page seen when accessing the website), prominently featured at the top so that it is easily visible, and to remove from his websites all information that violates this order, including false commercial speech, speech that violates 26 U.S.C. §§ 6700, and speech that assists or is likely to incite others to violate the law; and to file with the Court within 30 days of the date the permanent injunction is entered, a sworn certification that he has done so;

G. That this Court allow the Government full post-judgment discovery to monitor Luman's compliance with the injunction;

H. That this Court grant the United States such other and further relief as this Court may deem just and appropriate under the circumstances.

Dated this 9th day of September, 2004.

SALLY QUILLIAN YATES
Acting United States Attorney


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